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SUBJECT: GAO REVIEWS CANCELLATION OF SFI TRIAL IN SINGAPORE

REF: 08 SINGAPORE 1201

¶1. (SBU) SUMMARY: A three-person team from the Government Accountability Office (GAO) visited Singapore December 12 to 19 to meet with GOS officials, private sector representatives, and Embassy personnel regarding cancellation of the Secure Freight Initiative (SFI) trial. At a multi-agency briefing, the Ministry of Transport (MOT) reviewed its version of the steps that led to the cancellation of the trial, and all agencies and companies involved in the implementation of SFI conveyed their concerns about the high costs and cargo delays that would likely result from 100-percent scanning.

The GOS is concerned that the USG appears to be layering on security programs without a clear strategy. Singapore supports a total supply chain approach to cargo security (reftel) and does not wish to see 100-percent scanning implemented. End Summary.

¶2. (SBU) A three-person team from the Government Accountability Office (GAO) visited Singapore December 12 to 19 to review the Secure Freight Initiative (SFI) trial that was cancelled earlier in ¶2008. The GAO team, joined by the Ambassador, participated in a multi-agency briefing on December 15 chaired by Ministry of Transport (MOT) Deputy Secretary LIM Boon Wee that also included representatives from the Ministry of Foreign Affairs (MFA), Singapore Customs, Maritime and Port Authority, Immigration and Checkpoints Authority (ICA), port terminal operator PSA, and shipping company American President Lines (APL). The team separately took a tour of the port and met with representatives from the Singapore Shipping Association and the Singapore Logistics Association. In addition to external meetings, the GAO team discussed the SFI trial with Embassy personnel, including the attaches for Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP). The team visited SFI ports in Busan, South Korea and Hong Kong before traveling to Singapore.

Events Leading to Cancellation

¶3. (SBU) During the multi-agency briefing for GAO, GOS officials reviewed their perspective on the steps that led to the agreement to implement the SFI trial in Singapore and the events that led to its cancellation. MOT stated that CBP was the first to initiate discussions in 2006 about including Singapore in SFI, because as a transshipment hub it offered a testing environment different from other SFI ports. (Note: Post's understanding from Washington at the time was that it was the Singapore Embassy in Washington that initially approached DHS to talk about SFI. End Note.) The GOS agreed in late 2007 to go ahead with the SFI trial so long as the scanning equipment was not installed permanently, and any extension of the trial beyond six months would be renegotiated. If SFI was found to have a negative effect on port operations the trial could be suspended, MOT and PSA representatives stated to GAO. The MOT Permanent Secretary and the U.S. Ambassador to Singapore signed the Declaration of Principles for the SFI trial in December 2007.

¶4. (SBU) From January to April 2008 the GOS developed a trial protocol for SFI, DepSec Lim said to GAO. MOT claimed that in that period CBP became less responsive to GOS queries about the trial and

the timeline for implementation. The GOS then learned of testimony by CBP Deputy Commissioner Jayson Ahern who indicated CBP would shift the focus of 100-percent scanning to "high risk trade corridors." The GOS was informed by CBP Commissioner W. Ralph Basham in June 2008 that the Singapore SFI trial would not proceed. Until that point, the GOS was prepared to go forward with the trial in order to collect data demonstrating the challenges to 100-percent scanning. DepSec Lim said the GOS was surprised to learn that the trial had been cancelled by CBP. In August 2008, MOT and CBP issued a joint press release stating they mutually agreed to cancel the SFI trial because CBP decided to focus on "high-risk trade corridors." (Note: CBP has since changed the term "high-risk trade corridors" to "strategic trade corridors." End Note.)

Potential Costs of SFI and 100-Percent Scanning

15. (SBU) The SFI trial was not implemented in Singapore, so it was difficult for the GOS and PSA to assess the costs that would be associated with 100-percent scanning. However, MOT and PSA told GAO they estimated that SFI and 100-percent scanning would increase container handling time by 50 percent and reduce the overall rate of containers handled at the port by about 32 percent. 100-percent scanning would also increase berth times and fees by an estimated 50 percent. MOT projected that the total cost of the six-month SFI trial would be US\$2.4 million. Half of that amount would be reimbursed by the USG to cover technology and management costs, while PSA and the GOS would absorb the rest to cover manpower and operational expenses.

16. (SBU) During the December 15 briefing PSA stated to GAO that scanning of U.S.-bound containers would require rerouting cargo

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moving among berths to a scanning station, potentially adding several kilometers to any container movement within the port. The longer distance would increase fuel and driver costs. Current dwell times at the port are about 24 hours for ships and two to four hours for individual containers, but that could change under SFI. The scanning station would become a chokepoint that could significantly affect port efficiency and the competitiveness of Singapore's port, PSA added. (Note: In 2007 approximately 28 million TEUs (twenty-foot equivalent units) moved through the port of Singapore, and 80 percent of the cargo was transshipped. Approximately 680,000 of the TEUs passed through Singapore en route to the United States. End Note.) PSA also wrestled with how to handle liabilities and claims filed by shippers or shipping lines if cargo was delayed by the scanning process and missed its transfer to an outbound ship, or damages that might occur if a container triggered an alarm and had to be opened at the port.

GOS: No Substantial Benefit to 100-Percent Scanning

17. (SBU) Cargo scanning is a useful tool that has a role in a risk-based approach to supply chain security, but implementation of 100-percent scanning is not worth the incremental benefits it provides, DepSec Lim told GAO. CBP promised benefits to SFI such as fewer inspections of cargo once it reaches the United States. However, as of now, MOT estimated that only a very small percentage of cargo from Singapore is re-inspected on arrival at a U.S. port, and that is little incentive. Singapore also has yet to see benefits promised from other container-security programs such as the Container Security Initiative (CSI). Ambassador Mary Seet-Cheng, MFA Senior Specialist Advisor, claimed that CBP has yet to fulfill promised "green lanes" at U.S. ports for cargo screened through CSI.

18. (SBU) Singapore remains supportive of supply-chain security but views 100-percent scanning as a departure from the USG's previously stated risk-based approach to security, Seet-Cheng said. 100-percent scanning does not equal 100-percent security, she added. The USG began with risk-based programs such as CSI and the Customs-Trade Partnership Against Terrorism (C-TPAT), and the world adopted those programs. Now the USG appears to be layering on even more programs, including the Megaports radiation detection program

and SFI, and consistency has been lost. Seet-Cheng asserted that the United States must show it can address security issues in a "rational" and "logical" way because "its reputation is on the line."

SFI Versus Other Trade Security Programs

¶9. (SBU) GAO and the GOS discussed SFI and 100-percent scanning in relation to other U.S. or international trade-security programs, such as CSI or the EU Authorized Economic Operator (AEO) program. The GOS favors a total supply chain approach to cargo security and initiatives such as the Asia Pacific Economic Community (APEC) Trade Recovery Program. MOT and Customs did not think companies would reject participating in CSI or the AEO program if they also had to comply with 100-percent scanning, but Customs indicated companies are concerned about meeting many obligations under disparate cargo security programs. There could be less incentive to participate in C-TPAT and CSI if all containers are scanned at the port. MOT indicated that the GOS might be more supportive of USG cargo security programs if they were more based on mutual recognition and reciprocity, so implementation led to lower risk scoring and facilitation of shipments bound for the United States. However, the GOS does not intend to ask for reciprocity for SFI because it does not support 100-percent scanning and does not want to see it implemented, DepSec Lim told GAO.

¶10. (U) GAO cleared this message.
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